

Frequently Asked Questions regarding Credits Available to State Assessed Companies

Railroad Credits

What credits are available?

There are two credits available to be applied against the tax levied on Railroad Companies under PA 282 of 1905.

Maintenance or improvements of Rights of Way

MCL 207.13(2) and MCL 207.13a each have credit allowances for eligible expenses in the State of Michigan for maintenance or improvement of Rights-of-Way, including those items, except depreciation, in the official maintenance-of-way and capital track accounts of the railroad company. MCL 207.13(2) allows for 25% of the expenses, and MCL 207.13a allows for the remaining 75% of the expenses to be applied against the gross tax calculated.

Maintenance and improvements of Qualified Rolling Stock

MCL 207.13a allows a credit allowance for up to 100% of eligible expenses in the State of Michigan for maintenance and improvements to an eligible company's qualified rolling stock.

Are there any eligibility requirements to qualify for the credits?

Yes, the company must be paying taxes under PA 282 of 1905, must have incurred the eligible expenses in the State of Michigan, must have properly filed the required credit applications, and must have submitted three copies of the report described in MCL 207.13(3) through (5).

How are the credit calculations applied?

The eligible expenses for maintenance and improvements of Rights-of-Way and qualified rolling stock are deducted from the gross tax, but cannot exceed the amount of the gross tax. Therefore, there is no refund or carryforward of the credit allowances.

Railcar Credit

What credits are available?

There is only one credit available to be applied against the tax levied on railcar companies under PA 282 of 1905. MCL 207.13a provides a credit allowance for eligible expenses incurred in the State of Michigan to qualified rolling stock during the calendar year immediately preceding the statutory filing date of the Annual Property Report. The credit cannot exceed the total tax levied for the year, and for this reason, there is no refund or carryforward.

What are eligible expenses for maintenance or improvement of qualified rolling stock?

Eligible expenses must be incurred in the State of Michigan to maintain or improve an eligible company's rolling stock. Eligible expenses for maintenance of rolling stock include, but are not limited to: repainting, interior or exterior washing, and repair or replacement of car parts and components.

Expenses for maintenance of rolling stock which are NOT eligible include, but are not limited to: expenses for repairs or maintenance performed outside Michigan; expenses for repairs or maintenance on railcars for which the company has no tax liability; expenses for repair, maintenance or improvement to any railroad Right-of-Way and track; and expenses for repairs or maintenance not incurred in the calendar year immediately preceding the statutory due date of the Annual Property Report.

Are there any eligibility requirements to qualify for the credits?

Yes, the company must be paying taxes under PA 282 of 1905, must have incurred the eligible expenses in the State of Michigan, and must have properly filed the required credit application.

How are the credit calculations applied?

The eligible expenses for maintenance and improvements of qualified rolling stock are deducted from the gross tax, but cannot exceed the amount of the gross tax. Therefore, there is no refund or carryforward of the credit allowances.

Telephone Credits

What credits are available?

There are two credits available under MCL 207.13b that can be applied against the tax imposed on telephone and telegraph companies under PA 282 of 1905. MCL 207.13b(1) allows a credit based on eligible expenditures made to purchase and install eligible equipment. MCL 207.13b(5) allows a credit based on maintenance fees paid under Section 8 of the Metropolitan Extension Telecommunications Rights-of-Way Act.

Are there any eligibility requirements to qualify for the credits?

Yes, in order for a telephone company to be eligible for either of the credits described above, the company must be subject to the maintenance fees required under Section 8 of the Metropolitan Extension Telecommunications Rights-of-Way Act, and have paid the fees that are due and payable as of May 1 in that year.

How are the telephone credit calculations applied?

The items needed to calculate the credits include the following:

1. Current Year Gross Tax
2. Eligible Expenditures
3. Section 8 Fees Paid
4. Previous Year 13b(1) Credit
5. Previous Year 13b(5) Credit Carryforward (if any)

The MCL 211.13b(1) credit must be calculated first, then the credit under MCL 211.13b(5).

13b(1) Credit = (Eligible Expenditures x .06)

not to exceed the greater of:
12% of Current Year Gross Tax
or
100% of Previous Year Credit

and cannot exceed the current year tax liability.

(Therefore...no refund or carryforward on credit 13b(1))

13b(5) Credit = (Section 8 Fees paid) - (13b(1) credit)

Net Tax = (Gross Tax) - (13b(1) credit) - (13b(5) credit) - (any previous year 13b(5) carryforward)

If the Net Tax calculation is equal to or less than 0, the Net Tax equals zero. Any excess 13b(5) credit remaining is carried forward to subsequent year to be applied in subsequent net tax calculations.

(The excess 13b(5) credit may not be refunded, but may be carried forward to subsequent years until exhausted)